

HOUSE BILL REPORT

HB 3162

As Reported by House Committee On:
Local Government

Title: An act relating to adjusting contracting limits for water-sewer districts.

Brief Description: Adjusting contracting limits for water-sewer districts.

Sponsors: Representatives Simpson and Schindler.

Brief History:

Committee Activity:

Local Government: 1/30/06, 2/2/06 [DPS].

Brief Summary of Substitute Bill

- Increases the threshold dollar amounts necessary to trigger the various procedural requirements governing the creation of water-sewer district public works contracts and purchasing contracts.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Simpson, Chair; Clibborn, Vice Chair; B. Sullivan and Takko.

Minority Report: Do not pass. Signed by 3 members: Representatives Schindler, Ranking Minority Member; Ahern, Assistant Ranking Minority Member and Woods.

Staff: Thamas Osborn (786-7129).

Background:

Contracting procedures for public works projects and purchases.

State law establishes procedures for state agencies, local governments, and special purpose districts to award contracts for public works projects and to purchase materials, supplies, equipment, and services. Requirements vary, but generally a contract for a relatively small dollar value may be awarded without following a competitive bidding procedure, while a medium to high dollar value contract generally requires competitive bidding.

Specified public agencies may award public works contracts for relatively small projects through what is known as a "small works roster" procedure. Similarly, a "vendor list"

procedure is applicable for contracts of relatively small dollar value for the purchase of materials, supplies, or equipment. Generally, these procedures require soliciting bids from a limited number of contractors or vendors identified on a vendor list and usually require that the public agency equitably distribute the opportunity to bid on proposals.

Contracting and purchasing requirements applicable to water-sewer districts.

For public works projects involving expenditures in excess of \$10,000, a water-sewer district (district) must follow specified contracting requirements that include a competitive bidding process.

The purchase by a district of materials, supplies, or equipment with a value in *excess of* \$10,000 must be done by contract.

For purchases amounting to less than \$50,000, a district must award contracts through a vendor list procedure in accordance with statutory requirements.

Purchases by a district exceeding \$50,000 must be accomplished in accordance with the same contracting and competitive bidding procedures required for public works projects involving expenditures in excess of \$10,000.

Summary of Substitute Bill:

The threshold dollar amounts necessary to trigger the various procedural requirements governing the creation of district public works contracts and purchasing contracts are increased. The revised threshold amounts and the resulting contracting procedures are as follows:

- District public works contracts costing more than \$40,000 must be awarded through a specified competitive bidding process (increased from the previous threshold amount of "more than \$10,000").
- District purchases of materials, supplies, and equipment costing in excess of \$40,000 must be done by contract (increased from the previous threshold amount of "more than \$10,000").
- District purchases of materials, supplies, and equipment costing less than \$75,000 must be accomplished through a specified vendor list contracting process (increased from the previous threshold amount of "less than \$50,000").
- District purchases of materials, supplies, and equipment costing \$75,000 or more must be done through a specified competitive bidding process (increased from the previous threshold amount of "\$50,000 or more").

Substitute Bill Compared to Original Bill:

- For purchases requiring the use of a vendor list contracting process, the threshold amount of less than \$100,000 is reduced to the amount of less than \$75,000.

- For purchases requiring the use of a competitive bidding process, the threshold amount of \$100,000 or more is reduced to the amount of \$75,000 or more.

Appropriation: None.

Fiscal Note: Requested on January 27, 2006.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The contracting threshold limits are in need of upward adjustment and this is all that the bill does. It makes no substantive changes to the statutory procedures governing contracting by water-sewer districts. The competitive bidding process can be time consuming and expensive, and should be used only for large jobs. It does not make sense to use it for small jobs since it creates costs that are borne by ratepayers. The upward adjustments proposed in the bill will allow for a more efficient contracting process and save money. The current threshold amounts for water-sewer districts are much too low and are not on a par with those applicable to cities. The changes proposed in the bill will not have any negative impacts on smaller contractors.

Testimony Against: The bill should not be passed because it will take public works projects away from small-to-medium size contractors. It will allow district personnel to do the work currently contracted out to smaller, private sector contractors. This is unfair to these contractors, who will experience an economic setback as the result of this legislation. Smaller contractors should continue to be allowed to work on water-sewer district projects.

Persons Testifying: (In support) Representative Simpson, prime sponsor; and Mike Matson, Water Co-op of Pierce County.

(Opposed) Rick Slunaker, Associated General Contractors.

Persons Signed In To Testify But Not Testifying: None.